

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 EB-08 /021 W  
-----000729 070338Z /72  
R 070235Z MAR 78  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 6647  
INFO USDOC WASHDC

UNCLAS SECTION 1 OF 2 TAIPEI 1371

COMMERCE FOR ITA/BED/OIM/EA-ROBERT KELLY

E.O. 11652: N/A  
TAGS: BEXP, TW  
SUBJECT: COUNTRY COMMERCIAL PROGRAM--PRELIMINARY FY1980 INPUTS

REF : STATE 002688

1. THE FOLLOWING IS A LIST OF POST RECOMMENDATIONS FOR  
CAMPAIGNS AND OTHER SPECIAL POST EFFORTS FOR FY'80 AS  
REQUESTED BY REFTEL:

A. PRODUCT CAMPAIGNS:

1. FOOD PROCESSING AND PACKAGING EQUIPMENT (PRIORITY  
NO. 1) OVER THE PAST SEVERAL YEARS THE ROC FOOD PROCESSING  
INDUSTRY'S OUTPUT AND EXPORTS HAVE GROWN RAPIDLY, AND CURRENT  
DEVELOPMENT PLAN CALLS FOR A LARGE INCREASE IN PROCESSED  
FOODS BY 1981. IN ORDER TO MEET BOTH FOREIGN COMPETITION  
AND IMPORTING COUNTRIES' SANITATION STANDARDS, THE ROC  
RECOGNIZES THE NEED TO UTILIZE MODERN FPP EQUIPMENT,  
MOST OF WHICH WILL BE SUPPLIED BY IMPORTS. THIS CAMPAIGN  
IS IN SUPPORT OF A TAIPEI TRADE CENTER SHOW PROPOSED FOR  
FY'80.

2. ELECTRONICS INDUSTRY PRODUCTION AND TEST  
EQUIPMENT (PRIORITY NO. 3)

THE ELECTRONICS INDUSTRY IS RAPIDLY CHANGING FROM  
LABOR-INTENSIVE TO TECHNOLOGY-INTENSIVE OPERATIONS, AND  
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THE OUTLOOK FOR THE INDUSTRY IS BRIGHT. CONTINUED  
FOREIGN AND DOMESTIC INVESTMENT, GOVERNMENT-SUPPORTED  
RESEARCH AND DEVELOPMENT, AND SUCCESSFUL EXPORT PROMOTION  
EFFORTS ARE ALL CONTRIBUTING TO THIS SHIFT. BY THE EARLY  
1980'S ELECTRONICS EXPORTS ARE EXPECTED TO REPLACE TEXTILES  
AS TAIWANS FIRST RANKING FOREIGN EXCHANGE EARNER. THUS  
THE DEMAND FOR EIPT EQUIPMENT--A PRODUCT LINE IN WHICH

THE U.S. HAS A MAJOR COMPETITIVE ADVANTAGE--SHOULD GROW CONSIDERABLY. THIS CAMPAIGN IS IN SUPPORT OF A TC TECHNICAL SEMINAR TENTATIVELY SET FOR FY'80.

3. INDUSTRIAL AND SCIENTIFIC LABORATORY INSTRUMENTS  
(PRIORITY NO. 4)

TO MEET INCREASING FOREIGN COMPETITION IN ITS MAJOR EXPORT MARKETS, TAIWAN IS ENCOURAGING INDUSTRIAL MERGERS, RAISING THE QUALITY OF EXISTING PRODUCT LINES, AND DEVOTING MORE ATTENTION TO NEW PRODUCT RESEARCH AND DEVELOPMENT. THESE TRENDS SHOULD GIVE AMERICAN EXPORTERS EVEN GREATER OPPORTUNITIES TO SELL SOPHISTICATED INSTRUMENTS TO TAIWAN'S EMERGING RESEARCH LABORATORIES. THIS CAMPAIGN IS IN SUPPORT OF ATC EXHIBITION.

4. METALWORKING EQUIPMENT/MACHINE TOOLS (PRIORITY NO. 8)

THE ECONOMY'S SHIFT TOWARD CAPITAL INTENSIVE INDUSTRIES, WHICH WOULD INCLUDE TRANSPORTATION AND ELECTRICAL EQUIPMENT MANUFACTURING AND BASIC METALS PRODUCTION, SHOULD INCREASE DEMAND FOR METALWORKING EQUIPMENT. THE LOCAL METALWORKING AND MACHINE TOOL INDUSTRY, THOUGH GROWING RAPIDLY, STILL CAN NOT MEET THE DEMAND FOR HIGH PRECISION MACHINE TOOLS. U.S. SUPPLIERS HAVE A MAJOR MARKET SHARE ALREADY, AND THE JAPANESE YEN'S UPWARD REVALUATION MAY EVENTUALLY BOOST THE U.S. INTO FIRST PLACE AS TAIWAN'S LEADING MACHINE TOOL SUPPLIER. THIS CAMPAIGN WILL SUPPORT A TC EXHIBITION.

B. SPECIAL POST ACTIVITIES

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1. BUY MORE IN AMERICA (PRIORITY NO. 2)

IT IS ENVISAGED THAT DESPITE INTENSIVE EFFORTS IN FY78 AND FY79, THERE WILL STILL BE CONSIDERABLE FOLLOW-UP REQUIRED FOR THIS ACTIVITY. DURING THOSE TWO YEARS THE POST WILL BE DEVOTING MOST OF ITS TRADE PROMOTION EFFORTS TO THIS ACTIVITY. THE OVERALL OBJECTIVE OF THE BMA IS TO STIMULATE AND COORDINATE ON A LARGE SCALE THE FURTHER EFFORTS OF THE GROC TO REDUCE OUR BILATERAL TRADE DEFICIT THROUGH EXPANSION OF IMPORTS FROM THE UNITED STATES. THE BROAD NATURE OF THIS ACTIVITY WILL CUT ACROSS MANY PRODUCT CAMPAIGNS AND ROUTINE ACTIVITIES, AND SO IT IS CONSIDERED AS A SEPARATE ACTIVITY.

2. EXPORTER/AGENT INFORMATION SYSTEM (PRIORITY NO.5)

THIS ACTIVITY ASSUMES THAT THE PRESENT VSMF SYSTEM WILL BE REPLACED IN FY'79 BY COMMERCE'S PROPOSED NEW E/AIS, AND THAT CONTINUING FOLLOW-ON WORK WILL BE REQUIRED TO PROMOTE ITS CAPABILITIES TO ALL SECTORS OF THE LOCAL ECONOMY, AND TO DEVELOP ITS FULL TRADE PROMOTION POTENTIAL. THE RELATIVELY HIGH PRIORITY ACCORDED TO THIS ACTIVITY IS ON THE PREMISE THAT THE E/AIS WILL SUPPLANT MANY OF THE TRADITIONAL COMMERCIAL TRADE PROMOTION ACTIVITIES.

3. TRADE PROMOTION EVENT SUPPORT (PRIORITY NO. 6)

THE EMBASSY'S COMMERCIAL SECTION WILL PROVIDE FULL SUPPORT TO THOSE TC FY'80 EVENTS WHICH ARE NOT LISTED UNDER THE PRODUCTS CAMPAIGNS IN SECTION A. IN ADDITION, POST EXPECTS TO PROGRAM AT LEAST TWO IOGA TRADE MISSIONS AND ONE SPECIALIZED TRADE MISSION IN FY'80.

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4. MAJOR PROJECTS (PRIORITY NO. 7)

THE COMMERCIAL SECTION WILL CONTINUE TO REPORT ON MAJOR PROJECTS AND MAJOR PRODUCT SALES, AND IT IS EXPECTED THAT THE SUCCESSFUL IMPLEMENTATION OF THE ROC GOVERNMENT'S BUY MORE IN AMERICA PROGRAM WILL CREATE MANY GOOD OPPORTUNITIES FOR U.S. CONTRACTORS AND HEAVY EQUIPMENT SUPPLIERS.

5. TRADE NEGOTIATIONS

(PRIORITY NO. 9)

WHILE BILATEAL TRADE NEGOTIATIONS TO OBTAIN RECIPROCITY FROM MTN-RELATED U.S. CONCESSIONS IN GATT WILL MOST LIKELY HAVE BEEN CONCLUDED, THE COMMERCIAL SECTION'S PERSONNEL WILL BE CALLED UPON FREQUENTLY TO

APPROACH THE GROC TO LOWER TARIFFS AND OTHER BARRIERS TO TRADE. FURTHER, THE COMMERCIAL STAFF WILL CONTINUE TO BE CALLED UPON TO UNDERTAKE "ESCAPE CLAUSE" RELATED MARKET REPORTS UNDER PROVISIONS OF THE TRADE ACT.

2. THIS PROGRAM OF ACTION ASSUMES THAT RESOURCES AVAILABLE TO THE ECONOMIC-COMMERCIAL SECTION ARE ESSENTIALLY THE SAME IN FY'80 AS THEY ARE AT PRESENT.

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014